

SIC 15

Operating leases - incentives

REFERENCE

- IAS 1 Presentation of financial statements
- IAS 8 Accounting policies, changes in accounting estimates and errors
- IAS 17 Leases

ISSUE

The issue here concerns the method of recognizing, in the financial statements of the lessor and the lessee, the incentives provided by the lessor at the time of the inception or renewal of an operating lease.

Such incentives may, for example, involve payment by the lessor of certain costs normally paid by the lessee (such as leasehold improvements or relocation costs) or more directly by providing a rent-free period to the lessee.

POSITION ADOPTED

In the lessor's accounts, the total cost of the incentives provided – regardless of their nature, their amount and their date of occurrence – must be recognized as a reduction of rental income over the term of the operating lease of the assets, on a straight-line basis, unless another method is more appropriate.

In the lessee's accounts, the incentive obtained should be treated in the same way, that is by reducing the lease rental expense, unless another method is more appropriate.